



# **MERIT – Capital Assistance:**

## **Major Expansion Capital Construction Guidance**

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[To be included in the FY25 DRPT – Blue Book]

## **Major Expansion - Capital Construction Projects**

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The complex nature of Major Expansion (MAJ) - capital construction projects necessitates additional planning, design, and financial estimation steps prior to approval of MERIT - Capital Assistance funding. This section outlines the construction pre-application process and requirements, readiness criteria, DRPT's approach to funding, and a description of technical assistance available to applicants.

The additional readiness and eligibility requirements that apply to these projects are meant to provide a higher level of certainty that initial allocations of Major Expansion (MAJ) - construction funds are as close to the projected needs as possible. The pre-application requirement has been implemented to provide DRPT staff with sufficient time to review project details, and to work with agencies to ensure that cost projections are realistic using up-to-date engineering cost estimation techniques to account for inflation and other contingencies.

The requirements specified herein only apply to Major Expansion (MAJ) projects as defined below.

### **MERIT Major Expansion (MAJ) - Capital Construction Projects with a total cost greater than \$3 million, including:**

- The construction of new facilities and infrastructure, enhancements or renovations to existing facilities and infrastructure, or a combination of new construction and enhancements to existing structures
- The wholesale replacement of existing facilities or structures

*Note: The pre-application requirement does not apply to MERIT Major Expansion projects that do not include capital construction, such as vehicle expansion projects or the purchase of other capital equipment with a total project cost of \$3 million or more.*

## Pre-Application Process and Requirements

Beginning with applications for Fiscal Year 2025 MERIT – Capital Assistance funding, all MAJ - construction projects will be required to submit a pre-application by December 1<sup>st</sup> of the year before the application is due (i.e. for FY25 funding, MAJ construction pre-apps are due on December 1, 2023). The pre-application will provide information that DRPT staff can use to help applicants develop complete and competitive applications by the due date of final applications at the beginning of February.

### **MAJ Construction Pre-application Timeline:**

1. **Pre-Application Due Date: December 1<sup>st</sup> each year**
2. Within 2 weeks of the Pre-application deadline, DRPT staff will correspond with applicant staff contacts to address the following items:
  - Any outstanding questions regarding the project
  - Completion of a DRPT construction phase checklist
  - Review of engineering cost estimates and completion of DRPT engineering cost tables
3. DRPT staff will work with staff contacts to address any outstanding items in the two-month period prior to submission of a full application.
4. Full application due date: February 1<sup>st</sup> each year

**Pre-application required information:**

- Project name
- Applicant staff contact information
- Description of the project
  - o If applicable, describe the age of any existing facility that will be replaced or enhanced.
- A sketch/site layout map identifying important features of the project
- Summarized costs and:
  - o Total Cost
  - o Anticipated State Cost
- Readiness Checklist – Will the following readiness criteria be met prior to submission of a full application? (see full descriptions of each readiness criteria below)
  - o Planning Study (if applicable)
  - o Property Ownership
  - o Engineering and Design Status
  - o Environmental Review Status (NEPA-SERP Readiness if applicable)
  - o Engineering Cost Estimates for A/E and Construction Management
  - o Comprehensive Financial Plan
  - o Other Critical Contingencies Met (if applicable)

## MERIT Major Expansion Readiness Criteria [Full Application]

To ensure that the applicant has prepared for implementation, construction projects have additional readiness criteria that must be met prior to being awarded MERIT – Capital Assistance funding. The readiness criteria will be reviewed in detail upon the submission of a full application on February 1 each year. The pre-application document contains a checklist which asks each applicant to indicate the status of each criteria area.

### **Readiness Criteria:**

- 1. Planning Study:** A project should have a planning level study complete prior to being awarded funds for engineering and design or construction. This can include a feasibility study, needs assessment, or other similar study document that may be unique to each project.
  - Feasibility studies, needs assessments, and other planning level studies are eligible for funding through the MERIT – Technical Assistance program.
  - In circumstances where a project has advanced to more detailed stages of engineering and design prior to seeking any DRPT funding, the planning study requirement may be waved.
- 2. Property Ownership or Lease:** The land on which a construction project will be built should be owned by the applicant prior to the award of construction funds. If the land will be leased, evidence of the pending lease agreement will be requested.
  - Property purchases are eligible for MERIT - Capital Assistance funding and will be supported as a Minor Enhancement Project. If the property to be purchased is worth greater than \$3 million, please reach out to DRPT for additional information.
  - At a minimum, DRPT will review the application to ensure that due diligence regarding parcels needed to implement a project has been completed.
  - For fixed guideway projects: DRPT recognizes that the acquisition of multiple parcels of land may be needed to construct the project and may take much longer than the acquisition of property for a facility. In these cases, DRPT will review the property acquisition schedule on a case-by-case basis to determine “readiness.”
  - For projects that intend to lease land where a project will be built, the applicant should indicate this intent as well as include any information on the availability of land for lease and the pending lease agreement in the application for funding.
  - DRPT also recognizes that property purchases may come before or after initial design plans for a facility are drafted.

3. **Engineering and Design:** A construction project must have at least 30% design plans completed prior to being awarded DRPT construction funds. This applies to construction projects of all sizes and scales and ensures that DRPT can review engineering cost estimates when making funding determinations.
  - Engineering and Design projects, that would help an applicant prepare for future construction project funding, are eligible for MERIT – Capital Assistance funding as Minor Enhancement projects.
  - Sufficient Level of Design – all applications for MAJ construction funding will be screened for having a sufficient level of design work completed. In general a minimum of 30% design plans are a requirement for construction funding awards, but there may be circumstances where a project will reach this milestone between application and when funds become available. DRPT will review these applications on a case-by-case basis to determine eligibility.
  - For Design/Bid/Build projects: 100% design plans should be complete prior to requesting DRPT construction funds.
  
4. **Environmental Review:** A construction project should have completed environmental reviews (i.e., NEPA, VDEQ, SERP) or categorical exceptions approved prior to being awarded DRPT construction funds.
  - Environmental review projects are eligible for funding through the MERIT – Technical Assistance program.
  - DRPT understands that the timing of environmental review processes for large construction projects can be complicated, so staff will review compliance with this readiness criteria on a case-by-case basis. If your agency will not have environmental reviews completed at the time of application, please coordinate with DRPT staff to determine the best path forward.
  
5. **Engineering Cost Estimates for A/E and Construction Management:** The applicant should provide costs estimates for construction projects that have been developed by an engineer or other technical staff or contractors that outline costs associated with the subject project.
  - DRPT staff will work with applicants once a pre-application is submitted to ensure that all cost estimates provided are sufficient for review. (See: Pre-application section above)
  - DRPT review of costs estimates will follow the federal framework provided in the [FTA Standard Cost Categories for Capital Projects](#).
  - DRPT recognizes that smaller construction projects may not have associated cost estimates provided by an engineer or other third-party contractor. Cost

estimates for these projects can be developed in-house but will be subject to the same review by DRPT staff.

6. **Comprehensive Financial Plan:** Construction projects should include a complete financial plan that includes: the total estimated cost of the project, the total amount of state capital funds needed (by fiscal year), and other planned/committed sources of funding being used for the same purpose.
  - DRPT recognizes that for large construction projects, it takes years to acquire funding from multiple sources to support implementation, and that many of these sources are discretionary in nature. With this in mind, the financial plan should outline all planned sources of funding at the time of application.
  
7. **Other Critical Contingencies:** All additional critical contingencies necessary to implement the project (i.e. zoning changes, land use approvals, approvals from elected bodies or administrative boards, etc.) should be met prior to being awarded DRPT construction funds.
  - DRPT understands that large construction projects are complex and involve many approvals prior to implementation. If critical contingencies are not met prior to submission of an application, the applicant should demonstrate the plan in place to meet all outstanding contingencies.

## Approach to Funding MERIT - Major Expansion Construction Projects

### Initial Allocations:

It is DRPT's goal to ensure that the initial allocation of Major Expansion (MAJ) - construction funds is as close to the projected needs as possible. DRPT staff will work with agencies between the submission of a pre-application and the full application deadline to ensure that cost projections are realistic using up-to-date engineering cost estimation techniques to account for inflation and other contingencies.

**For large Major Expansion (MAJ) construction projects, it is DRPT's intent to allocate funding under multi-year agreements at the time that the project is approved for funding.** This approach is intended to provide a level of certainty for both the applicant and DRPT about the financial viability and commitment associated with the project. This means that DRPT will distribute the state capital funds in increments over a time period that makes sense for the implementation of the project.

### Funding Increases:

DRPT understands that complex construction projects experience unforeseen cost increases throughout the planning, design, and implementation phases. To address these cost increases, DRPT will review requests for additional construction funds after an initial allocation on a case-by-case basis and award additional funds for construction in extraordinary circumstances. To apply for a funding increase, the applicant will be asked to provide a brief narrative explanation addressing why additional state capital funds will be needed to implement the project. It is anticipated that funding increases will only be awarded one time for one project.

## DRPT Engineering Assistance Available for Construction Projects

DRPT's engineering department offers additional technical assistance to help eligible applicants advance construction projects throughout the state. This includes the following services:

- Project and Construction Management
- Cost estimate development and review
- Design readiness review
- Environmental readiness review
- Feasibility Studies
- Project Management Plans

If you are interested in learning more about how the DRPT Engineering Team can help your agency develop plans for construction projects, please contact your DRPT Program Manager.